

Exchange Stakeholder Work Group
Monday June 18, 2012
8:00am – Continuing Education Seminar Room 1
Meeting Minutes

Attendees: Mark Deion, Bonnie Larson, Amy Black, Al Charbonneau, Chris Kent, Rich Glucksman, Tim Bonin, Owen Heleen, Craig O'Connor, Lindsay ---, Jennifer Wood, Amanda Clarke, Linda Johnson, Angela Sherwin, Elaina Goldstein, Ted Almon, Brian Jordon, Stacy Paterno

- I. Call to Order – Dan Meuse called the meeting to order at 8:15am giving time for folks to join us at our new location. The exchange stakeholder work group will work out of this new space at Brown's Continuing Education building here at 200 Dyer Street and we are really looking forward to continuing our work here at this new space. Today we will hear from Patrick Holland of KPMG regarding the financial modeling of the exchange.
- II. Presentation – Exchange Sustainability Modeling. Patrick Holland, one of the founding members of KPMG consulting group will speak to us in our initial conversations on this issue. The slides will be available on our website and upon request.

Questions/Comments/Clarifications during presentation:

 - a. Ted Almon: I work in an industry where almost all commerce is conducted through large contracting organizations, GPOS. In trying to say it is analogous to a large group contracting organization, typically those are paid for by fees – that model has been successful. Is there any reason I am missing as to why we would not structure this as a GPO?
 - i. Patrick Holland: Unlike classic group purchasing the membership, here is largely uncertain.
 - ii. Ted Almon: How about if we start with the public employees?
 - iii. Patrick Holland: But they are not yet mandated to go through here. Right now the model is considering who will go through. Small businesses as well, but right now the data we have shows that number small businesses taking up the small business tax credit is underwhelming. After a year or two years, once you have membership behind you then you become attractive to vendors and the models assessing the carriers may come.
 - b. Elaina Goldstein: I think there are so many pieces on a policy level that I don't believe have been determined yet as to who will be in our exchange. There is a big issue of folks under 250% FPL who would be under the Basic Health Plan, thus reducing revenues if we go forward with that. Those issues, much like others similar to that, will drive the financing?

- i. Patrick Holland: We contemplated that a lot of this may be premature, but we want to get out in front and demonstrate this is how the exchange comes together from a financing level. There is still a lot to be done, but we need to give you baseline information so we understand why decisions are being made.
 - ii. Elaina Goldstein: I guess in order to help us be useful members of this group, it would be helpful to demonstrate which decision requires which information.
 - iii. Patrick Holland: We will get there in this presentation.
- c. Mark Deion: Following up on an earlier comment, and I do understand that we may evolve in time, but even though we have a mandate, it hasn't been mandated that public employees are in the exchange. In order to make health insurance more affordable shouldn't we dictate what the markets that we will serve are, rather than creating an exchange saying that we will build it up over time and then go back and renegotiate? My inclination would be if you do not start out with a reduced price, it will do the same thing health insurers have done in the past?
 - i. Patrick Holland: Good points, but what is getting lost in the focus on just financing is the competitiveness in the market. There are ways we can do this beyond just scale. For the exchange to be a bit of a transformative entity, by bringing in carriers, that is where competition can influence price. There are a lot of dimensions where the exchange can influence price. The way you work with carriers in a partnership way is important, but also want to come on and create products in a competitive way for a lower price point. These are all in play, these will all be thought through, but the exchange needs to consider more than just scale for it to be truly successful.
- d. Rich Glucksman: Introducing myself as at least one carrier in the audience today. Similar now for that comparison, and at the same time allowing for that innovation and competition should consider the impact of the cost of operations onto that affordability. These are interesting and would be good to hear how you think those will work together.
 - i. Patrick Holland: The exchange clearly needs to work with carriers. For the exchange to offload some of the administrative cost from itself onto the carriers will be necessary, whether it be marketing or potentially premium billing or something to that end (no decisions have been made yet), and having the flexibility to allow the carriers to want to innovate, and do something that is innovative and creative. The goal is to find some synergy between all the markets. participants to get a lower price point and find some balance.
- e. Elaina Goldstein: You keep mentioning on the slides that people with tax credits are going to come to the exchange. If you are an individual

in the market today, you will not be eligible for tax credits, and you are not going to go to that person. Why not market to them?

- i. Patrick Holland: We are. I focus on the cash strapped folks as they are those going to the exchange as that is the only place where you can access the health care tax credit. The exchange is not precluding the non-tax credit eligible market from participating.
 - ii. Elaina Goldstein: My concern is the number of people going through the exchange is going to determine its success.
 - iii. Patrick Holland: I believe it is a piece of it, but not the only piece.
 - iv. Elaina Goldstein: I am just not sure what the exchange is offering people as the price has to be the same inside the exchange and outside, so what do they get through the exchange they couldn't do on their own.
 - v. Patrick Holland: That is the value proposition we have to build.
 - vi. Ted Almon: There are only 14,000 of those people, but there are a lot of small group people. A lot of this transition or fundamental change in the small group market. A lot of ways it can evolve.
- f. Rich Glucksman: On the slide of Market Factors Scale – the numbers?
- i. Patrick Holland: This is just a construct, floors and ceilings really.
 - ii. Rich Glucksman: Absolutely. But is it too early to know if there are RI numbers?
 - iii. Patrick Holland: Coming in the next few slides.
- g. Jennifer Wood: Am I reading this correctly that the biggest variable that can flex here is the SHOP number?
- i. Patrick Holland: Yes, we think it is going to stay, but we truly do not know.
 - ii. Dan Meuse: It is both the SHOP number and the 585, if employer based dropping and the non-group, because of that.
- h. Elaina Goldstein: Can you go over how different this is from when you started the connector? What is similar?
- i. Patrick Holland: The biggest difference in Massachusetts eventually is that MA ran two very different programs. One was a subsidized program, and then ran a commercial unsubsidized population. That is one huge difference.
 - ii. Elaina Goldstein: Was insurance less expensive inside vs. outside?
 - iii. Patrick Holland: No the price was the same, but the difference was that we merged the small group, non-group market. It was previously difficult to purchase for the non-group market. Also speaks to the idea that the exchange is a destination site for non-group. It is helpful for consumers seeking the best price and the best information as it is an easy comparison place.

- i. Stacy Paterno: Looking at the cost curve from the slides, how do the 80,000 fall into the cost curve?
 - i. Patrick Holland: At the lower levels have a high unit cost, then need to go beyond what is eligible. That is why we want to serve more markets, the broader marketplace.
 - ii. Stacy Paterno: Is there any certain threshold number that says unit cost cannot be more than X or Y?
 - iii. Patrick Holland: No, it needs to come together. What is the value of quality and expense load? It forces the equation – an exchange can only do so many things depending on cost, which is the revenue model. Sometimes decisions will need to be made to input applications, but if the price is too much, need to not do it at this time. We made lots of monetarily based decision in the early days of the Connector, because the budget didn't call for it.
- j. Elaina Goldstein: Is it allowable to contract out some functions? Are there rules that govern which functions may be contracted out?
 - i. Patrick Holland: That would be tucked into a contextual contract. There would be a vendor contract for say call center, which would be for call center people and technology.
 - ii. Dan Meuse: The exchange also is not planning on doing its own eligibility determination. Part of the RFP we have on the street includes an eligibility system build to work for both.
 - iii. Elaina Goldstein: Would you have Medicaid eligibility workers working for the exchange?
 - iv. Dan Meuse: We are currently procuring a new system that would write the rules to determine eligibility. We are replacing in roads in a way that would allow the state works to use the new system.
 - v. Elaina Goldstein: There is a job description for a Medicaid eligibility worker – would that person then transition to the exchange as well?
 - vi. Dan Meuse: That is how it is envisioned at this time.
- k. Mark Deion: What are the staffing numbers for the Connector?
 - i. Patrick Holland: About 40 full time staff right now for 250,000 covered lives. In the early days we started off with about 10 people then up to 25, then about 45 people 24 months into it. Then peaked out there and turned back.
- l. Al Charbonneau: Is it possible that because of the size of RI and the people involved and the fixed cost would be prohibited? Can we get enough volume to make this feasible?
 - i. Patrick Holland: Trying to create a model where the expenses can bleed in over time. The idea is to try to balance fixed versus cost.
 - ii. Al Charbonneau: I am thinking about is it possible now, the bare minimum is ten or two or five, and unless we roll through

- x number of people it will end up costing a lot, and see the target to determine if it is attainable. There are good reasons why the insurers and others will need to be taken care of, the decision would be about should we cover part of the exchange.
- iii. Patrick Holland: I come back to, if we can work with the market, can do it in a vacuum, need to do it working in a market place, what do carriers not want to do and offload to the exchange, carriers to themselves; it is the right question, it is a bit early to have it figured out.
 - iv. Al Charbonneau: Can the exchange do it in a cost effective way?
 - v. Dan Meuse: Let's get to the number slides.
 - vi. Al Charbonneau: If we can get to that fairly quickly, then we can put an "ask" out to providers.
- m. Brian Jordan: Depending on what the Supreme Court decides, I know we will still go through with the exchange in RI, what will this impact?
- i. Jennifer Wood: In the interest of time I will suggest we wait a few days to see what the decision is, instead of speculating.
- n. Jennifer Wood: These numbers are built off the range of cost estimates you did?
- i. Patrick Holland: Yes. There are a lot of variables that go into something like this, but in health care things happen retroactively, we are getting something par for 14.
- o. Elaina Goldstein: The "per member per month" number would be the extra cost to the individuals or the carriers?
- i. Patrick Holland: It would be the dollars on the premium number.
- p. Stacy Paterno: If you add this on the administration side to the insurers, does it affect their MLR? Also there will be other taxes going into affect in 2014 so how does that square with the Office of the Health Insurance Commissioner affordability initiatives?
- i. Patrick Holland: This has to square with all of those – these numbers are meant as a sizing exercise to offer dialogue, all of this is fluid and lots to be done. Needs more vetting.
- q. Rich Glucksman: We do need to keep a big picture out look, and one of the other twists is thinking about self funded as opposed to fully insured. There are all layers to this.
- i. Patrick Holland: Absolutely, this is all ground up.
 - ii. Rich Glucksman: Well this is really helpful to that end. Did you say what the premium assumption is?
 - iii. Patrick Holland: We can send it out to you as numbers are swirling around my head at this time.
 - iv. Jennifer Wood: I agree would be helpful to have the projected premium on this.
 - v. Mark Deion: Sizing it has helped, and it starts picking a direction to be modified. This is the first time I have seen numbers and it lends some credibility to what we have offered.

- III. Public Comment – No additional comment put forth at this time.
- IV. Adjourns